

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.





# Former USSR Update

## Agriculture and Trade Report

**Economic Research Service**  
**U.S. Department of Agriculture**

**November 10, 1994**

Former Soviet Union (FSU) total grain imports in 1994/95 are projected at just under last year's low of 19 million tons, down about 50 percent from the average of the 1980's. Sharply reduced use of grain for feed by a much smaller livestock sector is a major factor behind the decline in consumption and import needs. Partly compensating for the dramatic fall in bulk imports is a marked shift towards high-value products, reflecting newly released private demand for higher-quality products with Western-style packaging.

Total FSU grain output is forecast by USDA down 15 percent in 1994 (as of November), largely because of poor planting conditions in the fall of 1993, a harsh winter, and severe drought during the growing season in many regions. However, final State procurements may not end up considerably below last year, as farms are limited by on-farm storage facilities, and few alternative channels for grain marketing exist. The pace of **Russian** State grain procurements (federal and regional) is lagging substantially behind last year as farms hold out for better prices. Unlike past years, when farms sold their output nearly all at once to the State, they are now selling in small increments as agreement on price is reached.

Contractions in the livestock sector have increased this year, as reduced rates of growth in the private sector (non-commercial subsidiary holdings) offset less of the State sector's continued decline. Total FSU meat output by the State sector was down 15 percent for the period January-September 1994, compared with the same period last year.

The farm input industries of the FSU may experience the toughest year yet in 1994, as demand for inputs hits a new low. On the positive side, input producers are starting to respond to some of the demands of farms, with indications that fertilizer quality and equipment specifications are improving.

Private farms are likely to account for as much as 10 percent of grain output in **Russia** and **Ukraine** this year. Output by State food processing enterprises in the FSU is estimated down for the fifth consecutive year in 1994, with private output and imports of Western foods replacing much of the State sector's production.

### FSU 1994/95 Grain Import Demand Remains Very Weak, Despite Drop in Output

As of November 1994, USDA forecasts 1994/95 (July/June) FSU grain imports, including intra-FSU trade, at 17.3 million tons, compared with 1993/94's estimated 19.2 million tons, and less than half the level imported on average during the 1980's (table 1). Despite a projected 15-percent reduction in 1994/95 FSU grain output from 1993/94, import demand continues to be dampened by: 1) hard currency constraints and growing debt obligations, 2) decreased grain utilization (mainly grain for feed) and less waste, 3) relatively stable production and procurement in 1992/93 and 1993/94, 4) the discontinuation of import subsidies, 5) internal FSU political forces that oppose imports in order to protect domestic producers, 6) sizable stocks, and 7) higher 1994/95 world prices for wheat. However, even with the sharp drop in grain imports, the FSU remains one of the world's primary grain buyers, with **Russia** the primary FSU importer.

**Table 1 -- FSU grain production and imports <sup>1</sup>**

Country/ Year <sup>2</sup>	Grain production			Grain imports		
	92/93	93/94	94/95	92/93	93/94	94/95
Million tons						
FSU-15	186.2	179.7	151.5	35.0	19.2	17.3
Russian Fed.	102.4	94.8	82.5	21.1	8.8	6.6
Ukraine	35.2	42.4	33.7	3.0	0.4	0.7
Kazakhstan	29.2	21.2	17.9	0.0	0.1	0.0
Belarus	7.0	7.3	6.1	1.6	1.3	1.2
Moldova	2.0	3.0	1.1	0.3	0.4	0.8
Central Asia	4.5	4.7	5.2	5.5	5.4	5.1
Transcaucasus	2.0	1.9	1.6	1.5	1.7	1.9
Baltics	3.9	4.4	3.5	1.9	1.0	0.9

<sup>1</sup> Official USDA data for total grains in cleanweight, including wheat, coarse grains, and milled rice.

<sup>2</sup> On a July/June marketing-year basis; 1993/94 are preliminary data; 1994/95 are projections as of Nov. 1994.  
Source: USDA.



Another reason for lower FSU grain imports is that export assistance and food aid, which to a large extent have financed agricultural imports (primarily grain) since 1991, have been reduced to most regions of the FSU. For example, U.S. fiscal 1994 food assistance (not including commercial export credit guarantees) to the FSU consisted of over 950,000 tons of commodities, worth nearly \$240 million, compared with about 7 million tons (\$1.2 billion) in fiscal 1993. Fiscal 1994 U.S. GSM-102 credit guarantees offered to the FSU have also declined, totalling \$80 million, compared with \$530 million used in fiscal 1993. The growing FSU debt burden, **Russian** and **Ukrainian** defaults on export credit programs during 1992-94, adequate agricultural output and consumption in most of the FSU, and tighter donor budgets have been the primary factors driving the reduction in export assistance and food aid. Moreover, several FSU countries have not used export financing made available to them for agricultural purchases, or have been slow to act upon available assistance (for example, the recent sale of 400,000 tons of wheat that was facilitated through **Russia's** FY 1993 Food for Progress package).

While humanitarian assistance will continue to regions affected by civil war and food supply disruptions, it is likely that export financing and other assistance programs will remain low by historical levels. To date, \$20 billion in private sector GSM-102 commercial credit guarantees for **Russia** and \$90 million in concessional food assistance have been announced for six FSU countries.

#### **Value of U.S. Ag Exports to FSU Down Slightly, Composition Continues Shift**

U.S. agricultural exports to the FSU in fiscal 1994 are projected at \$1.5 billion, down slightly (6 percent) from fiscal 1993's \$1.6 billion. Late shipments of fiscal 1993 food assistance and strong sales of semi-processed and high-value products have compensated for weak bulk exports of grain and oilseeds, which traditionally made up 80-90 percent of total U.S. agricultural exports to the FSU.

Preliminary fiscal 1994 data (October-August) show total U.S. exports to the FSU at \$1.4 billion, down slightly (5 percent) from the same period in 1992/93. Grain, oilseeds, and oilseed product exports account for around half of the total. Significant increases in U.S. sales of animals and animal products, fruits, sugar, and chocolate products have boosted the share of non-bulk commodities exported to the FSU. In addition, U.S. exports of nonagricultural products have increased as a share of total exports to the FSU.

This trend of increased high-value exports began in fiscal 1993, when the FSU ranked in the top 10 markets for U.S. exports of dairy products, poultry, wines and beer, and snack foods. The transition from a planned economy has released previously unsatisfied consumer demand for higher quality products and Western brand names, also contributing to increased FSU high-value agricultural imports. Whereas in

fiscal 1992 and 1993, a large share of U.S. exports, both bulk and processed, were facilitated through credit and aid programs, a significant drop in the level of fiscal 1994 assistance and in centralized-**Russian**-government imports implies that a larger percentage of U.S. agricultural commodities are being imported through private trade. It is still likely, however, that fiscal 1994 exports of traditional assistance commodities such as flour, certain dairy products, and vegetable oil were shipped through USDA aid programs such as Section 416(b) and Food for Progress.

The outlook for growth in U.S. high-value exports may be mitigated by the decision of several FSU countries to institute import tariffs to protect less-efficient domestic producers. A significant shift towards protectionism has occurred in **Russia**, which accounts for 60-70 percent of total U.S. exports to the FSU. In March, new import tariffs were announced for most agricultural goods, but by April implementation of these tariffs had been delayed until July 1. After July 1, the import tariffs were reinstated, although several cities (including Moscow, St. Petersburg, and Ekaterinburg) have requested exemption from the new tariffs. The most significant new tariffs included a 15-percent tariff on imported meat and milk products (these tariffs have already been adjusted to 8 percent for beef and pork, and to 20 percent for poultry) and a 20-percent tariff on white sugar, commodities of which the United States increased exports in fiscal 1994. Other FSU countries introducing or planning to introduce import tariffs on agricultural commodities include **Ukraine**, **Belarus**, **Latvia**, and **Lithuania**, all of which are significant livestock and dairy producers. Moreover, several FSU countries have instituted more stringent certification requirements for imports to reportedly protect consumers from low-quality goods.

While it is still unclear to what extent these new tariffs and regulations will affect U.S. sales to the FSU, there may be some reduction or limitation of further growth in the near term as importers adjust to the new policies. For example, strong **Russian** food imports during April-June suggest that traders took advantage of the Government's postponement of the March tariffs (table 2). As a result, the pace of imports will likely slow down as traders assess whether or not exemptions will be allowed to urban areas, or if the tariffs will again be reevaluated, as pressure to reduce or limit the level of trade protectionism increases. The **Russian** government has already announced a phased decrease in tariff levels over the next 10 years; however, government officials have indicated that they will move more slowly to reduce agricultural tariffs. As Russia moves closer to GATT membership, this issue will become even more sensitive.

#### **CIS Registers Positive 1994 Extra-Trade Balance, Imports Remain Low**

According to data from the Commonwealth of Independent States (CIS) Statistical Committee, exports offset increased



imports and led to a \$9-billion extra-CIS trade (includes trade with the Baltics) surplus for the first half of 1994, up \$1.1 billion from the same period in 1993. **Russia's** reported \$8 billion surplus accounted for 90 percent of the total. Only Armenia and Belarus registered negative trade balances. Extra-CIS exports continue to be largely comprised of raw materials such as oil, gas, coal, and minerals, while imports are dominated by purchases of machinery and equipment and consumer products.

**Table 2—Russian agricultural imports, 1994**

	Jan—March		Jan—June		Jan—Sept	
	Volume	Value	Volume	Value	Volume	Value
	1,000 tons	\$ million	1,000 tons	\$ million	1,000 tons	\$ million
Fresh—frozen						
meat	10.6	14.0	216.7	272.7	292.8	361.7
Poultry	10.8	13.2	232.0	288.8	283.0	351.2
Dry milk	na	na	18.4	36.4	na	na
Butter	14.2	18.9	95.8	123.0	138.6	180.3
Citrus	38.0	21.1	502.4	306.4	628.7	377.2
Apples	10.8	3.7	129.4	45.1	190.8	68.7
Coffee	1.7	5.4	12.5	44.6	20.7	68.7
Tea	8.2	17.1	46.5	121.6	69.4	179.4
Grains	372.2	61.8	1591.4	249.6	2436.0	379.9
wheat	193.0	31.6	749.8	114.6	1155.1	177.7
corn	178.8	30.2	828.1	133.8	1261.5	200.6
Veg oil	5.5	6.2	32.7	36.5	44.7	50.4
White sugar <sup>1</sup>	104.5	43.5	1224.6	403.8	835.0	301.4
Sugar, raw	24.8	8.0	na	na	731.2	210.5
Pasta	na	na	43.3	45.6	na	na

na = Not available.

<sup>1</sup> January—June white sugar data include raw sugar.

Sources: Interfax and Goskomstat Rossii.

The accuracy of these trade statistics continues to be of considerable question. For example, first quarter 1994 extra-CIS trade data for **Russia**, as reported by Goskomstat Rossii, appear to understate imports by \$3.5 billion, when compared with data from the State Customs Committee. Thus, a \$5.2-billion trade surplus implied by Rosgoskomstat data is reduced to \$2.5 billion using the customs figures. While some of the countries have made progress in improving their data collection capability, it is still very likely that official trade data do not fully capture trade flows, particularly through private channels. In addition, as some portion of extra-CIS trade is conducted on a barter or countertrade basis, the large trade surplus is misleading given that no exchange of currency is involved in these transactions.

The evolving CIS trade regime explains to a large extent the inaccuracies of official trade data, particularly of imports. First, the declining share of centrally purchased State imports (particularly of food and consumer goods) has lowered the accuracy of State statistics, which do not

effectively capture private trade. Second, the imposition of import tariffs and taxes in several CIS countries in 1993-94 has probably encouraged the understatement of imports to avoid payment. Lastly, export statistics may be slightly more accurate as many of the commodities exported (such as oil and other raw materials) are considered to be "strategic" and are controlled by State trading organizations and through licenses and quotas. While high currency surrender rates and export quotas have led to some level of undocumented exports and "capital flight," strong State export control may have minimized some of the discrepancy. However, as State control of exports is loosened, as is currently taking place in **Russia**, the accuracy of export statistics could also decline.

#### **FSU Grain Area Continues To Decline as Farms Adjust to Market Changes**

As of November 1994, USDA estimated total FSU grain output at 151.5 million tons, down 15 percent from 1993 (in cleanweight, including wheat, coarse grains, and milled rice). FSU grain yields in 1994 are projected about 10 percent below last year, primarily due to drought in many FSU regions. Grain area, which has steadily declined since the early 1980's, is down another 5 percent in 1994 from 1993, the lowest in over 40 years, largely as a result of above-average winterkill, reduced winter grain seedings in 1993, and efforts to reduce costs. During the Soviet period, when there were large subsidies for inputs, transportation, etc., grain area was sharply expanded, reaching a high of 123 million hectares in 1977. Estimated 1994 area is about 94 million hectares. As FSU governments have implemented market reforms, such as price liberalization and subsidy reduction, relative input prices have increased sharply, causing farmers to cut back sown area. Most FSU governments, however, are continuing to provide some form of subsidies for harvest and seeding operations and have increased procurement prices to account for inflation.

Grain output in the **Russian Federation** is estimated at 82.5 million tons (excluding pulses, buckwheat, and minor grains), down 13 percent from a year earlier, and is the result of smaller grain area and drought reduced yields. Russian 1994 grain area fell because of weather-related problems during fall seeding, as well as farmers' decisions to reduce area under less profitable crops. For example, the decline in total 1994 Russian wheat area is estimated to have been considerably less than the drop for some of the less profitable coarse grain crops such as rye. Wheat is one of the most profitable grain crops (and is one of the least costly to grow).

Harvest progress in **Russia**, as of mid-October, was behind 1993's pace because of rainy weather in certain regions, late-maturation of the crop, irregular supplies of fuel, lubricants, and spare parts, and uncertainty about procurement prices. As of mid-October, winter grain seeding for the 1995 harvest was slightly behind last year, likely due to financial difficulties associated with lagging



sales of grain, disruptions in purchasing fuel and spare parts, delays in harvesting the 1994 crop, and prolonged dry weather in the North Caucasus and Volga Valley, **Russia's** main winter grain regions. Severe dryness in these regions may have impeded winter crop development. The high profitability of growing wheat provides an incentive to keep winter wheat area for the 1995 harvest largely unchanged, although dry conditions may have been an obstacle. Following a sharp cut in rye area in 1994, 1995 area may continue to decline, as demand for rye remains low. Reportedly, several million tons of rye are still held in stocks, with no immediate prospects for sales.

In **Ukraine**, the 1994 harvest is estimated at about 33.7 million tons, 20 percent below the high 1993 level. The large drop resulted mainly from decreased yields, while area fell only slightly. Large portions of winter grain area (mainly winter wheat) were damaged by winterkill, and were reseeded with spring grains (mainly spring barley). Spring barley, however, is not as high yielding as winter wheat. Persistent dry weather during the growing season also reduced yields, particularly in the southern and southwestern portions of the country. The Ukrainian government provided large subsidies to agricultural producers, and despite gloomy forecasts and reported input problems, the harvest proceeded at a faster pace than last year and with smaller losses.

As of mid-October, winter grain seeding in **Ukraine** was completed on about 6.5 million hectares, more than 80 percent of the planned area. Grain area in 1995 is expected to remain fairly stable since the State continues to allocate large subsidies for agricultural inputs and operations. However, extremely dry conditions in the southeastern parts of Ukraine may have adversely affected seed germination and plant establishment and could cause some area decline.

Grain output in **Kazakhstan** is estimated at 17.9 million tons, about 15 percent below the 1993 crop. Grain yields in 1994 were reduced by dry conditions in certain regions, and area fell an estimated 6 percent. Kazakh farmers have been taking marginal land out of production (total grain area is down nearly 20 percent since 1981) in order to use costly inputs on better lands and more profitable crops. While the 1994 area for wheat, a profitable crop, is estimated relatively unchanged from 1993, coarse grain area is estimated down. According to the Kazakh Agricultural Academy of Sciences, the agronomically ideal grain area in Kazakhstan should decline another 20 percent to about 16 million hectares.

In **Belarus** and the **Baltics**, 1994 harvests are projected down 15-20 percent, and in **Moldova** by over 60 percent from last year. While grain area fell slightly in these countries, the yields were substantially reduced due to a hot and dry summer, particularly in Moldova. In addition to drought, Moldova experienced severe winterkill which damaged about 50 percent of its winter crop.

In the **Central Asian** countries, 1994 crop estimates are mixed; while **Uzbekistan** and **Turkmenistan** may have near record harvests, in **Kyrgyzstan** and **Tajikistan** estimated grain crops are down 6 and 15 percent respectively, from last year. The governments of Uzbekistan and Turkmenistan have been increasing grain area to rely less heavily on imports. In addition, favorable weather in Uzbekistan, the largest Central Asian grain producing country, boosted yields above last year. Grain harvests in the **Caucasus** are estimated slightly down from last year due mainly to problems associated with continued political unrest.

### **Despite Increasing Private Trade, the State Dominates Grain Marketing**

Final State procurements of the 1994 crop in the FSU countries may not fall sharply below last year, despite the slow pace of sales to date. As of October, State procurements were below last year in most FSU countries, with the exception of **Turkmenistan**, **Uzbekistan**, and **Belarus**, where the governments continued to provide large financial outlays for procurement and maintained near-complete market control. In most FSU countries, farmers are particularly reluctant to sell to the State because of last year's very late payments, which were not indexed to inflation in many cases. Most farmers are holding out for higher prices, but are eventually expected to sell to State procurement agencies, given few alternative channels.

Having previously announced that the **Russian** Government would no longer set procurement prices, the federal government in July published recommended prices of about 220,000 rubles (\$98 at the September exchange rate) per ton for average wheat from this year's harvest, considerably above the average 1993 price of about 65,000 rubles per ton (\$70), and market transaction prices at that time. It was noted that these new indicative prices, which were not obligatory, would provide an adequate profit to both grain producers and processors. However, it was not specified how procurement agencies would finance grain purchases at these high prices. Since the announcement on recommended prices, transaction prices for average wheat have been running between 150,000-180,000 rubles per ton (\$65-\$77 at the September exchange rate), substantially below the suggested 220,000 rubles per ton. If transactions were made at the recommended 220,000 rubles per ton for average wheat, domestic prices could exceed import prices in some regions, once transportation costs and taxes are included (U.S. wheat price, CIF, minus the EEP bonus was about \$160).

Reflecting the standoff between grain producers and buyers, as of late-October, **Russian** farmers had sold only 1.8 million tons of grain to the federal fund, and 8 million to the regional funds, compared with 28 million tons (federal and regional) a year earlier. The 1994 federal grain fund, which is to supply the military, part of the needs of Moscow, St. Petersburg, and the northern regions, is targeted at 11



million tons, including 8 million tons of milling wheat. The regional fund target is 25-27 million tons, of which 7.5-9 is milling wheat. Although grain sales to date are down substantially from the same period in 1993, there are significant supplies of 1994 grain held on-farm and kept in storage facilities, as well as remaining grain stocks from the 1993 crop in storage. Farms have transferred over 6 million tons of grain to State-owned elevators, which demand high storage fees. Given the lack of alternative outlets, limited on-farm storage facilities, and expensive State storage facilities, farmers will likely sell below their preferred prices. In contrast to previous years, when the State procured all its grain needs immediately after the harvest for the entire next year, in 1994/95 procurement agencies are likely to make grain purchases in increments throughout the course of the year.

In **Ukraine**, government plans called for procurements of 13 million tons in 1994, 1 million below last year. As of late-October, State procurements totaled about 11 million tons of grain, half of which was wheat. In June, the procurement price for third grade wheat was raised to 3.5 million karbovantsi (\$80 at market exchange rate), considerably higher than the 1993 price, in nominal and real terms. In addition, a 50-percent bonus was to be awarded for supplies above contract levels, and the government put a temporary limit on the export of wheat, rye, flour, cereal, and pasta to ensure sufficient domestic supplies.

In **Kazakhstan**, planned State procurements were set at about 5 million tons in early summer, down 2 million from 1993, reflecting lower funding from the federal budget. As of early November, the State had procured 4 million tons of grain.

### FSU Grain Utilization Continues To Decline

As of November 1994, USDA estimated total 1994/95 grain utilization 7 percent down from last year, largely the result of lower feed use. Feed use is decreasing due to the continued reduction of livestock inventories. With the continued decline in sown area, estimated seed use is down in 1994/95. Industrial use of grain for producing vodka, beer, and starch is also estimated slightly lower, reflecting decreased domestic output and increased imports of beverages. Although per capita consumption of bread by humans continues to rise in many republics, reduced waste of bread, such as feeding to animals, appears to be keeping aggregate food use of grain down.

### Drought Cuts Forage Supplies

Forage crop area and output are both estimated down this year, as farms respond to lower feed needs, take less productive soils out of production, and yields are cut by drought. Forage supplies per animal, however, will fall to a lesser degree, as inventories continue to contract in 1994. Supplies of forage per head of animal in the **Russian** state

sector were down 8 percent in mid-October compared with 1993, but were actually up from the same time in 1992. In **Russia**, forage crop area in 1994 is estimated at about 40 million hectares, down 2-5 percent from 1993, and 10 percent from 44.6 million hectares in 1990. Increased area sown to forage crops in the Russian private sector, which accounted for almost 3 percent of total forage area last year, has offset some of the overall decline in area. In **Kazakhstan**, 1994 forage crop area is expected down from 1993's 10.8 million hectares, which was down 5 percent from the peak in 1991 (11.4 million). According to Rosgoskomstat, State output of mixed feed in **Russia** continues to fall in 1994, down 30 percent (January-July) from the year before.

### Growth in Private Livestock Sector Lessens, State Sector Cuts Back Even Further

Falling consumer demand, worsening terms of trade, and competing supplies of higher-quality or better-packaged imports, continue to force contractions of the livestock sectors of all FSU countries (table 3). Those countries that have least reduced State subsidies to livestock producers or meat consumers (such as **Turkmenistan** and **Uzbekistan**), show smaller reductions in the sector. The overall decline of the livestock sector in the FSU may be greater in 1994, as little to no growth in the private sector's noncommercial subsidiary holdings offsets less of the State sector's continued contraction.

**Table 3—Livestock product output, State—sector only, January—September 1994**

Country	Total meat output, livewgt.	as % of 1993	Milk output	as % of 1993	Egg output	as % of 1993
	1,000 tons	%	1,000 tons	%	Mil.	%
Azerbaijan	31	79	96	72	40	43
Armenia	1	56	4	93	3	42
Belarus	671	89	2,944	99	1,460	94
Kazakhstan	595	74	1,722	78	1,182	78
Kyrgyzstan	52	74	162	70	39	31
Moldova	68	70	332	81	111	56
Russia	4,100	85	20,900	83	20,000	92
Tajikistan	23	85	93	95	54	59
Turkmenistan	55	80	155	91	94	85
Uzbekistan	153	87	695	95	529	87
Ukraine	1,692	87	9,449	90	3,594	76

Source: Statkom SNG.

The reduction in FSU State sector livestock product output this year is expected to exceed the decrease in 1993, when the rate of decline slowed. For the period January-September 1994, State sector output of total meat



(liveweight) in the FSU was down 15 percent, production of milk was down 15 percent, and egg output down 12 percent, compared with a year earlier. State sector meat output fell most sharply in **Kazakhstan** (down 26 percent), compared with **Russia** and **Ukraine**, where meat production was down 13-15 percent. Animal productivity in **Russia** in the State sector, in terms of milk per cow and eggs per layer, were down 9 and 3 percent respectively, for the period January-September 1994 compared with 1993.

In **Russia**, slight output growth in the private sector (January-September 1994), offset only some of the State sector's decline, resulting in an overall drop in meat production of 11 percent. Production of meat in the private sector continues to be lowest in **Belarus**, which at about 20 percent of total output, accounts for 40-46 percent in **Russia**, **Ukraine** and **Kazakhstan**, 50-72 percent in Central Asia, and almost 100 percent in **Armenia**.

Aggregate State sector animal inventories continued their decline during the first 9 months of 1994, with inventories decreasing even faster this year from last, for all types of animals. Total October 1, 1994 FSU inventories of cattle, cows, hogs and sheep/goats, declined by 11 percent (down 9 percent in 1993), 8 percent (down 6 percent), 14 percent (down 13 percent), and 24 percent (down 14 percent), respectively.

Increasing supplies of imported meats, which are competing with domestically produced meat, and reduced State subsidization of producers in many republics, account for much of the higher rate of decline in FSU aggregate inventories. The sharpest drop in inventories among the major livestock breeding republics occurred in **Kazakhstan** this year.

In **Russia**, overall animal inventories continued to decline in 1994 (October 1), as State sector inventories fell faster than a year ago, and private sector numbers grew by less than the year before (cattle/cows) or fell (hogs and sheep/goats). After 2 years of strong growth (up 7 percent in 1992, and up 11 percent in 1993), private Russian cattle numbers grew by only 3 percent in 1994 (October 1). The reduced growth and, in some cases, decline in the private sector are largely due to the physical constraints on families with small subsidiary holdings to maintain more than a few animals each.

In all FSU countries, meat marketed through channels other than the former State procurement organizations continued to grow during 1994. In **Russia**, nearly 25 percent of marketed meat is now going through alternative channels (up almost 30 percent from last year), with about half of that amount sold directly at farmers' markets. In 1990, 90 percent of meat was marketed via State procurements. Those FSU countries with the largest share of meat marketed directly at farmers' markets include **Kyrgyzstan**, **Moldova**, and **Tajikistan**. In **Russia**, despite the drop in meat output and

the rise in sales of meat this year, surplus stocks of meat held by retailers, wholesalers, and processors are up, according to Rosgoskomstat.

### **FSU Sunflowerseed Area Rising, But Yields Remain Low**

As of November 1994, USDA estimated total FSU oilseed production at 9.8 million tons, relatively unchanged from 1993's output. While total oilseed yields in 1994 are estimated slightly down from last year, area is projected slightly above last year because higher sunflowerseed area more than offset lower cottonseed area.

FSU 1994 sunflowerseed production is estimated at 5 million tons, largely unchanged from 1993, despite a substantial increase in sunflowerseed area, particularly in **Russia**. From 1991 to 1994, higher profitability has driven area up by 20 percent. In 1993, sunflowerseeds were about 25 percent more profitable than grains, and more profitable than other oilseeds such as soybeans and rapeseed.

FSU oilseed yields have been decreasing in recent years and are not expected to improve in 1994. In 1993, **Russian** sunflowerseed yields were the lowest in 10 years, possibly the result of reduced application of mineral fertilizers, decreasing seed quality, and deteriorating equipment. In 1994, estimated sunflowerseed yields are also down because of drought conditions in some of the main sunflowerseed growing regions--North Caucasus and Volga Valley. However, the oil content of the 1994 Russian sunflowerseed crop is reported to be substantially above average, mainly due to the dry weather.

Marketing of oilseeds has changed dramatically in the last few years. The majority of oilseeds are currently marketed through private barter transactions, where farmers pay the processing enterprises an in-kind fee for crushing, then have the remaining vegetable oil/meal returned to the farm for use and marketing. As a result of increasing private transactions, FSU State procurements of oilseed crops, mainly sunflowerseeds, have sharply fallen, and should continue to fall in 1994. For example, FSU sunflowerseed procurements in 1993 were only 32 percent of production, compared with 73 percent in 1990. In addition, given the relatively low domestic prices, producers with export licenses have found it more profitable to export sunflowerseeds. As of early-November, **Russian** farmers had reportedly concluded export contracts for 1.2 million tons of sunflowerseeds from the 1994 harvest compared with last year's exports of 870 million tons.

As of November, USDA estimated total FSU soybean imports at 435,000 tons in 1994/95 (October/September), slightly above last year, but down about 50 percent from the 1986-90 annual average. Soybean meal imports are estimated at 1.2 million tons for 1994/95, about 10 percent lower than the previous year, and about 60 percent below the 1986-90 average. Due to technical and logistical



constraints faced by processing facilities, FSU countries tend to import more meal than beans. This trend is likely to continue in the short term. FSU vegetable oil imports are projected relatively unchanged from the 1993/94's 896,000 tons.

### **Hardest Year Yet for Input Producers, But Not All Bad News**

Dramatically reduced demand for farm inputs continues to force downsizing of the input industries in nearly all FSU countries, with 1994 likely representing the hardest year yet for the sector. Contractions in the fertilizer industry, while substantial, have been less than in other input sectors, as opportunities for export exist.

Mineral fertilizer output in **Russia** is expected to drop by about 25 percent in 1994 from last year, having fallen already 38 percent in 1993 from 16 million tons in 1990. The fall in the output of phosphate fertilizers accounts for the bulk of the overall decline in output. Fertilizer output in 1994 is estimated down by about 10 percent in **Belarus**, 40 percent in **Uzbekistan**, and by nearly two-thirds in **Kazakhstan**. Although fertilizer output is falling, there are indications that quality is improving. In **Russia**, the share of nutrients in fertilizers reportedly rose to 44 percent in 1993, up from 40 percent in 1992 and 43 percent in 1991. **Russian** output of plant protectant agents in 1994 (January-July) was reported down by 56 percent from the same period last year.

The drop in fertilizer deliveries (sales) to farms continues to far outpace the fall in fertilizer output. While output declined 18 and 19 percent in 1992 and 1993, respectively, deliveries to **Russian** farms fell 45 and 32 percent, respectively. In 1993, Russian application of mineral fertilizers was reported at 32 kilograms per hectare of arable land, down 61 percent from the 1990 rate of 83 kilograms per hectare. According to one preliminary report, the fall in fertilizer applications in Russia may have begun to bottom out this year.

**Russian** exports of nitrogen fertilizers are expected to increase as much as 25 percent in 1994 (first-half), reversing 1993's trend when exports fell 43 percent from 8 million tons in 1992. Potassium fertilizer exports are continuing to decline in 1994 (down about 30 percent), having dropped 34 percent in 1993 from 1992's 4.1 million tons.

Production of tractors and grain combines has come to a near-halt this year in **Russia**, reflecting the free-fall in demand. Production of tractors in Russia, which was down 58 percent in 1993 from 1990's 214,000, could be down as much as 80 percent in 1994 from last year. Output of grain combines is expected to fall even more sharply than tractors in 1994. Production of grain combines in 1993 fell to 33,000 from 65,700 in 1990. Similar trends are affecting other FSU countries, with production of tractors in **Belarus**,

**Kazakhstan**, and **Uzbekistan**, down (January-July) 50 percent, 77 percent, and 86 percent, respectively.

In August 1994, **Russia** introduced a government funded "leasing" program that was designed to assist farms with the acquisition of farm machinery, and at the same time boost output at machinery plants which were operating at only a fraction of traditional capacity. The effect of the program, which represents a subsidy to producers (because of preferential payment terms), is to date unclear.

While production of farm machinery fell sharply over the last few years, the number of machines per hectare on Russian State-sector farms has changed little. Given the change in makeup and size of **Russian** crop areas, Rosgoskomstat reports that the number of tractors on 1,000 hectares of arable land in 1993 was 10.7, actually more than in 1990, and for grain combines the number was 6.2, down only slightly from 1990. Moreover, the share of smaller scale tractors in total output has risen sharply in the last few years, reflecting changes in farm size. In **Russia**, 24 percent of all tractors produced were 30 horse power or less, up 62 percent from 1990.

While supplies of diesel fuel and gasoline at **Russian** State-sector farms on July 1, 1994 were each down about a third from the same time in 1993, the decline is likely the result of reduced advance purchases of fuels (i.e. acquiring supplies all at once for the next half-year), and instead buying fuels only when they are in need.

### **State Food Processing Sector Output Down Fifth Consecutive Year**

The FSU's gross output of food products by State processing enterprises is expected to decline by about 20 percent in 1994, marking the fifth consecutive year of falling production. Output of non-food consumer goods continues to decline by an even faster pace in the FSU countries. The fall in output by State food processing enterprises is largely explained by the increased availability of food from growing small-scale private commercial processors and food preparation (canning, preserving) by households, which are satisfying an increasing share of overall food consumption. Other reasons for the general decline in consumer demand for State-processed foods in many FSU countries include reduced real incomes, and increased supplies of higher-quality and better-packaged food imports, as well as non-food consumer goods.

In the **Central Asian** republics, however, where State processing enterprises are still the primary suppliers of most staples, output by the State sector remains largely unchanged. For example, while January-August 1994 aggregate State output of food products in **Russia** and **Ukraine** is down 20 percent and 25 percent, respectively, output is down only 3 percent in **Turkmenistan**, and is actually up by over 15 percent in **Uzbekistan**.



In **Russia**, total output of processed meats and dairy products fell 24 percent and 17 percent (January-September 1994), respectively, from the year before. However, output of sausage, more expensive meats such as veal, certain cheeses, cream, and chocolate all rose. Similarly, while State output of flour and bread declined 15 percent and 18 percent, respectively, during the first 9 months of 1994, production of higher-quality breads and baked items increased. Rising demand for high-quality foods is accounted for by a growing class of high-income consumers.

#### **Private Farms May Account for Up to 10 Percent of 1994 Russian and Ukrainian Grain Crop**

Private farms (as separate from private household subsidiary plots) are beginning to have a substantial impact on grain output in some FSU countries. In both **Russia** and **Ukraine**, grain production on private farms this year may approach 10 percent of total output, with farms forecast to produce 7-10 million tons in Russia, and 3.5-4 million in Ukraine. In 1993, private farms accounted for 6 percent of total Russian grain area (3.8 million hectares), and produced over 5 million tons of grain (5 percent of total output). In **Kazakhstan**, private farms produced over 600,000 tons (3 percent of total output) of grain last year on about 3 percent of the country's grain area. In **Russia**, private farms account for an even larger share of total sunflowerseed output, already at 10 percent in 1993.

Unlike the crop sector, private farms continue to play a much smaller role in the livestock sector, greatly overshadowed by the other meat producers (state-sector and private subsidiary holdings). **Russian** private farms maintain

on average only 2 head of cattle, 2 hogs, and 6 sheep, with over a third of the private farms having no animals. In **Kazakhstan**, the average number of animals per farm are 5 cattle, 52 sheep, less than 1 hog, and 19 hens. As a result, the share of total meat produced by private farms is only 1 percent in **Russia** and **Kazakhstan**.

The number of private farms in the FSU continued to grow, albeit at a much slower pace, in 1994, totaling over 680,000 (as of July 1, 1994) and up over 3 times from 1992. The private farms occupy nearly 21 million hectares, or nearly 10 percent of total arable land in the FSU. In mid-1994, private farms in **Russia** totaled 286,000 on 12 million hectares, or an average 42 hectares per farm. In **Ukraine**, farms numbered only 31,300 on about 675,000 hectares, an average of 21 hectares per farm. **Kazakh** private farms numbered 20,000 on 7 million hectares, or 387 hectares per farm. Private farms grew the fastest this year in **Moldova** and **Uzbekistan**, although both countries only have just over 10,000 farms each.

When all forms of private sector agriculture (both farms and household plots) are combined, their output accounted for 38 percent of total agricultural output in **Russia** in 1993 (up from 24 percent in 1990), and 36 percent in **Kazakhstan** (up from 29 percent in 1990).

(For further information, contact Christian J. Foster, Jaclyn Y. Shend, or Sharon S. Sheffield, Former Soviet Union Team, Europe/Middle East/Africa Branch, CAD, 202-219-0625.)

**United States**  
**Department of Agriculture**  
1301 New York Avenue, N.W.  
Washington, D.C. 20005-4789

**OFFICIAL BUSINESS**  
Penalty for Private Use, \$300

FIRST CLASS  
POSTAGE & FEES PAID  
USDA  
PERMIT NO. G-145

The United States Department of Agriculture (USDA) prohibits discrimination in its programs on the basis of race, color, national origin, sex, religion, age, disability, political beliefs and marital or familial status. (Not all prohibited bases apply to all programs). Persons with disabilities who require alternative means for communication of program information (braille, large print, audiotape, etc.) should contact the USDA Office of Communications at (202) 720-5881 (voice) or (202) 720-7808 (TDD).

To file a complaint, write the Secretary of Agriculture, U.S. Department of Agriculture, Washington, D.C., 20250, or call (202) 720-7327 (voice) or (202) 720-1127 (TDD). USDA is an equal opportunity employer.